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CANADIAN WALLPAPER MANUFACTURERS LIMITED

**INTERIM REPORT
TO THE SHAREHOLDERS**

For The Six Months Ended June 30, 1971

Became Part of
REED Paper Ltd

This report summarizes the results of operations for the six months ended June 30, 1971. Included is a summary of operating results, together with a statement of source and use of funds. Comparative figures for 1970 are also included.

SALES AND EARNINGS

Following a substantial decline in earnings for the first quarter, sales in the three months to June 30, 1971 increased by 8% and earnings per share from operations for that period were approximately the same as for the second quarter of 1970. Year to year comparisons are only slightly affected by the change in the value of the Canadian dollar relative to U.S. currency.

OPERATIONS

SUNWORTHY made significant gains in both sales and earnings during the first half, more than offsetting the shortfalls to budget experienced by the Company's U.S. divisions, where wallcovering sales remained about level. Although results for the second quarter showed some improvement, BIRGE continues to be affected by a sluggish U.S. economy as evidenced by changes in sales mix favouring lower priced merchandise. For similar reasons, the performance of SERTEX also fell short of expectations.

August 6, 1971.

During the current slow down in domestic sales growth, DOMINION COLOUR continues to place increased emphasis on export operations. This strategy has produced higher sales levels.

Sales in the PAINT DIVISION are marginally lower than last year, but continuing close scrutiny of operating costs has produced a significant improvement in profits. Paint sales continue to be depressed by a low level of economic activity in Western Canada.

EMPIRE WALLPAPER & PAINT continues to show a steady increase in sales and profit.

DECOMART, the pilot retailing venture, has opened two Toronto stores but it would be premature at this time to draw any firm conclusions as to their progress.

DIVIDEND

The directors have declared a dividend of \$1.80 per share, payable on September 17, 1971, to shareholders of record on September 3, 1971.

J. R. CRAIG,
President.

CANADIAN WALLPAPER MANUFACTURERS LIMITED INTERIM REPORT TO THE SHAREHOLDERS

For the six months ended June 30, 1971
(with comparative figures for 1970)
(Unaudited)
(\$000's)

1970	1971
SUMMARY OF OPERATING RESULTS	
\$19,037	\$19,492
1,563	1,275
857	704
706	571
60	—
646	571
\$5.46	\$4.42
.46	—
\$5.00	\$4.42
STATEMENT OF SOURCE AND USE OF FUNDS	
<i>Source of Funds</i>	
646	571
198	330
844	901
<i>Use of Funds</i>	
877	700
229	239
233	233
8	6
1,347	1,178
503	277
6,999	5,321
\$ 6,496	\$ 5,044